

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Selection of Investment Advisor
Date: November 5, 2001

Recommended Actions:

1. Recommend the Board approve the selection of the Board's investment advisor (to be provided during the Banking Committee meeting).
2. Recommend the Board authorize the Executive Director to execute the contract on behalf of the Board.

Executive Summary:

The Board of Regents employs an investment advisor and money managers to guide its policy of active investment management. There is no established Board policy or other requirement to conduct a periodic review of the contract or performance of the investment advisor.

Wilshire Associates has been the investment advisor to the Board and Regent institutions since May 1996. Although the contract is open ended, the annual contract service fee amount was subject to change June 30, 2001. As reported to the Banking Committee in December 2000, the principal consultant had resigned from Wilshire Associates in October 2000 and Wilshire named a new representative to interact with the Board and its institutions. The Board and Wilshire agreed to extend the contract at the current rate until December 31, 2001. This extension provided university officials and Board Office staff an opportunity to work with the new Wilshire representative.

Five proposals for investment advisor were submitted to the Board. The selection committees, comprised of Banking Committee members, University representatives, and Board Office staff, reviewed the proposals and are scheduled to interview three of the five candidates on November 7. The selection committee recommendation will be presented during the Banking Committee.

Background::

In May 1996, the Board approved Wilshire Associates as the Board's Investment Consultant through a Request for Proposals (RFP) process and interviews of selected firms. The effective date of the contract was July 1, 1996, with a term for one (1) year, renewable without further action each year on the anniversary date. The annual service fee of \$75,000 is subject to change following the fifth year of service; the end of the fifth year was June 30, 2001. The Board extended the contract until December 31, 2001.

As of March 31, 2001, total Regent combined operating and endowment portfolios exceeded \$1 billion. The market value of the combined institutional operating portfolios totaled \$862.3 million and the endowment portfolio totaled \$284.9 million. The investment advisor provides a comprehensive range of investment advisory services, focusing primarily upon the investment of endowment funds managed by external fund managers.

There is no established Board policy or other requirement to conduct a periodic review of the contract or performance of the investment advisor. Past practice of the Board has been to select an investment advisor through competitive bidding, including issuance of a Request for Proposals (RFP).

An RFP for investment advisor was sent to selected firms; five proposals were received: Callan Associates, Fund Evaluation Group, KPMG, Stratford, and Wilshire Associates.

Representatives from the universities and Board Office staff held a conference call on October 25, 2001 to narrow the list to three: Callan Associates, Fund Evaluation Group, and Wilshire.